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Office of the Legislative Auditor

REPORT TO THE LEGISLATURE

MONTANA SCHOOL FOR THE DEAF AND BLIND

Financial-Compliance Audit Report for the Period

Fiscal Years 1984-85 and 1985-86

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Major issues in this report relate to: the school's improper accounting for all donations, and the school's improper recording of expenditures.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office.

Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

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STATE OF MONTANA

Office of the Legislative Auditor

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HELENA, MONTANA 59620
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SCOTT A. SEACAT
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:
JAMES GILLETT
FINANCIAL-COMPLIANCE AUDITS
JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:
JOHN W. NORTHEY

February 1987

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana School for the Deaf and Blind for each of the two fiscal years ending June 30, 1986. This report contains four recommendations related to donations, accrued expenditures, indirect cost recoveries, and duplicate payments. The school's written response to audit recommendations is included in the back of the audit report.

We thank the superintendent and the school's staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

MONTANA SCHOOL FOR THE DEAF AND BLIND

Financial-Compliance Audit
For Fiscal Years 1984-85 and 1985-86

Members of the audit staff involved in this audit include: Wayne Kedish, Wayne Guazzo, Gary Trescott, Don Davies, Lisa Warburton, and Amy Vanica.

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ELECTED, APPOINTED, AND ADMINISTRATIVE OFFICIALS

BOARD OF PUBLIC EDUCATION

Honorable Ted Schwinden	Governor*
Ed Argenbright	Superintendent of Public Instruction*
Carroll Krause	Commissioner of Higher Education*

		Term Expires
Ted Hazelbaker, Chairman	Dillon	1990
James A. Graham	Ismay	1988
Arthur Schauer	Libby	1989
Thomas A. Thompson	Browning	1987
Sarah Listerud	Wolf Point	1991
Alan Nicholson	Helena	1992
William Thomas	Great Falls	1993
Amy Regan	Butte	Student Rep.

*ex officio members

MONTANA SCHOOL FOR THE DEAF AND BLIND

ADMINISTRATIVE OFFICIALS

Robert J. Deming	Superintendent
Bill Sykes	Business Manager

SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply.

	Page
Recommendation #1	
The school record the receipt and expenditure of all donations on it's accounting records.	2
Agency Response: Concur. See page 15.	
Recommendation #2	
The school:	
A. Comply with state accounting policy for recording expenditure accruals.	3
Agency Response: Concur. See page 15.	
B. Process accounting entries during fiscal year 1986-87 to correct the overstated expenditures.	3
Agency Response: Concur. See page 15.	
Recommendation #3	
The school use actual costs when calculating indirect cost reimbursements.	4
Agency Response: Concur. See page 15.	
Recommendation #4	
The school implement procedures to ensure claims are paid only once.	4
Agency Response: Concur. See page 16.	

INTRODUCTION

We performed a financial-compliance audit of the Montana School for the Deaf and Blind for fiscal years 1984-85 and 1985-86. The objectives of the audit were to:

1. determine if the school's financial schedules present fairly the results of operations for the two fiscal years ended June 30, 1986;
2. make recommendations for improvement in management and internal control of the school; and
3. determine if the school complied with applicable state and federal laws and regulations.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the cost, if significant, of implementing the recommendations.

BACKGROUND

The Montana State School for the Deaf and Blind (MSDB) was founded in 1893 as part of the Montana State Training School at Boulder. In 1937 the school was transferred to Great Falls and was established as a separate and independent institution of the state of Montana. It is under the general supervision, direction, and control of the Board of Public Education. Board members are appointed by the Governor and confirmed by the Senate.

The purpose of the school is to educate children whose hearing or sight is impaired such that they cannot be properly taught in the public schools of the state. In addition, the school serves deaf and blind children throughout the state through its itinerant teacher program. This program includes three regional resource consultants who travel throughout the state to consult with parents and teachers of deaf and blind children. During fiscal year 1985-86 the school had approximately 71 children who lived on campus. An additional 54 children reside in the Great Falls area and attend the school as day students.

The school spent $3.1 million during fiscal year 1984-85 and $3.05 million during fiscal year 1985-86. School expenditures are accounted for through six programs: administration, general services, education, student services, and audiology.

PRIOR AUDIT RECOMMENDATIONS

The previous audit of the Montana School for the Deaf and Blind contained 10 recommendations for improvement of the school's operations. The school implemented nine of the recommendations and did not implement one. The recommendation which was not implemented relates to the recording of donations discussed in the following report section.

Donations

Donations received by the school are sent directly to the MSDB foundation under authority of section 20-8-111, MCA. These donations are not recorded on the school's accounting records. State law requires that all financial activity of the school be recorded on the state's accounting records.

When the school receives donations it restrictively endorses the checks in the name of the school's foundation and deposits the moneys in the foundation's trust account at a local bank. The school should record revenue for donations received and expenditures for amounts disbursed to the foundation. Since the school did not keep records of the receipts and expenditures which were transferred to the foundation, it was not practical to determine the dollar misstatement on the state's accounting records.

RECOMMENDATION #1

WE RECOMMEND THE SCHOOL RECORD THE RECEIPT AND EXPENDITURE OF ALL DONATIONS ON IT'S ACCOUNTING RECORDS.

EXPENDITURE ACCRUAL

The school did not accrue equipment expenditures for auditory trainer equipment received in fiscal year 1985-86. State law (section 17-1-102, MCA) requires state agencies to accrue expenditures for valid obligations in accordance with generally accepted accounting principles. Because the school received the equipment costing $59,807 in June 1986, a valid obligation to pay for the equipment existed. The school should have recorded the entire $59,807 as a fiscal year 1985-86 expenditure. Instead the school recorded $30,000 in fiscal year 1985-86 and $29,807 in fiscal year 1986-87. A school official indicated he was concerned, that if he had accrued the entire $59,807 at fiscal year-end 1985-86, the school might have overspent its appropriation authority.

However, the school's appropriation authority at the end of fiscal year 1985-86 was sufficient to allow the school to properly accrue the equipment expenditure. Because the school did not properly accrue the cost of equipment, expenditures in the General Fund are understated in fiscal year 1985-86 and overstated in fiscal year 1986-87 by $29,807.

RECOMMENDATION #2

WE RECOMMEND THE SCHOOL:

A. COMPLY WITH STATE ACCOUNTING POLICY FOR RECORDING EXPENDITURE ACCRUALS.

B. PROCESS ACCOUNTING ENTRIES DURING FISCAL YEAR 1986-87 TO CORRECT THE OVERSTATED EXPENDITURES.

INDIRECT COST RECOVERIES

The school calculated the indirect cost reimbursements for fiscal year 1983-84 for the Educational Improvement Consolidation Act (EICA) Chapter I Component II Grant by applying the negotiated indirect cost rate to its budgeted expenditures for the grant.

The school should have applied the indirect cost rate to the actual expenditures of the grant as required by federal regulations.

Since the school did not properly calculate the indirect costs, it overcharged the federal government by $242 in fiscal year 1984-85.

RECOMMENDATION #3

WE RECOMMEND THE SCHOOL USE ACTUAL COSTS WHEN CALCULATING INDIRECT COST REIMBURSEMENTS.

DUPLICATE PAYMENTS

In four separate instances, the school had paid the same invoices twice. The items were not large dollar amounts (none over $50). However, the respective companies and not the school's accounting personnel identified the overpayment. This indicates controls are not adequate to ensure payment is only made once for each purchase.

School personnel indicated, of the four duplicate payments, one was caused by the vendor billing under two different vendor names and three occurred during a change in the school's accounting personnel, so school officials could not explain what caused these three errors. If the school maintained an adequate control system for expenditures, it should have detected the duplicate payments regardless of the reason it occurred. Procedures used by other agencies to ensure claims are paid only once include: establishing a vendor file, making payments only upon receipt of an original invoice, and marking invoices "paid" when the transfer warrant claims are prepared.

RECOMMENDATION #4

WE RECOMMEND THE SCHOOL IMPLEMENT PROCEDURES TO ENSURE CLAIMS ARE PAID ONLY ONCE.

AUDITOR'S OPINION LETTER
AND AGENCY FINANCIAL SCHEDULES

SUMMARY OF AUDIT OPINION

The auditor's opinion issued in this report is intended to convey to the reader of the financial schedules the degree of reliance that can be placed on the amounts presented.

The financial schedules, except for the Schedule of Agency Fund - Additions and Deductions, are prepared from SBAS without adjustments for errors noted during the audit. This is done to allow the reader to determine the degree of reliance that can be placed on this SBAS information.

We took exception in our opinion on the Schedule of Changes in Fund Balances, the Schedule of Budgeted Revenue - Estimated and Actual, and the Schedules of Budgeted Program Expenditures by Object by Fund because the school did not properly record receipts and expenditures for donations as discussed in paragraph number three of our opinion and on page 2 of this audit report. The reader should use caution when using the financial information in these schedules.

The unqualified opinion on the Schedule of Agency Fund - Additions and Deductions means that this schedule is fairly stated in all material respects and that the user can rely on the information presented.

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

SCOTT A. SEACAT
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:
JAMES GILLETT
FINANCIAL-COMPLIANCE AUDITS
JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:
JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the various financial schedules of the Montana School for the Deaf and Blind for each of the two fiscal years ended June 30, 1985, and 1986, as shown on pages 7 through 14. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1 on page 12 to the financial schedules, the school's financial schedules are prepared in accordance with state accounting policy. Accordingly, the accompanying financial schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

During fiscal years 1984-85 and 1985-86 donations sent to the school were not recorded on the schools financial records. These donations should have been recorded in an Expendable Trust Fund when received and expended. It was not practical for us to determine the dollar amount of the misstatement, however we believe the misstatement may be material to both revenue and expenditures.

In our opinion, except for the effects of not disclosing Expendable Trust Fund revenue and expenditures as discussed in the preceding paragraph, the Schedule of Changes in Fund Balances, the Schedule of Budgeted Revenue - Estimated and Actual, and the Schedules of Budgeted Program Expenditures by Object by Fund

present fairly the results of operations and changes in fund balances of the Montana School for the Deaf and Blind for the fiscal years ending June 30, 1985, and 1986, in conformity with the basis of accounting described in Note 1 on page 12, which except for the change, with which we concur, in the method of recording revenue as described in Note 5 on page 14, has been applied on a consistent basis.

In our opinion, the Schedule of Agency Fund - Additions and Deductions presents fairly the results of operations and changes in fund balances of the Montana School for the Deaf and Blind for the two fiscal years ended June 30, 1986, in conformity with the basis of accounting described in Note 1 on page 12, which has been applied on a consistent basis.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

November 6, 1986

SCHOOL FOR THE DEAF & BLIND
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1986

	General Fund	Special Revenue Funds
FUND BALANCE: July 1, 1984	$ -0-	$ 40,016
ADDITIONS		
Fiscal Year 1984-85		
Budgeted Revenue	$ 18,045	$198,039
Support From State Of Montana	2,762,165	
Nonbudgeted Revenue & Transfers In		230,319
Prior Year Revenue Adjustments	17,173	(20)
Fiscal Year 1985-86		
Budgeted Revenue	19,547	452,492
Support From State Of Montana	2,624,969	
Cash Transfer In		30,563
Prior Year Revenue Adjustments		24,775
Total Additions	5,441,899	936,168
REDUCTIONS		
Fiscal Year 1984-85		
Budgeted Expenditures	2,624,293	494,143
Prior Year Expenditures	172,992[1]	
Prior Year Expenditure Adjustments	98	
Fiscal Year 1985-86		
Budgeted Expenditures	2,639,471	413,426
Prior Year Expenditure Adjustments	5,045	
Total Reductions	5,441,899	907,569
FUND BALANCE: June 30, 1986	$ -0-	$ 68,615

[1] These expenditures should have been recorded in the audiology program during fiscal year 1983-84. The expenditure was paid in fiscal year 1984-85 and recorded as a prior year expenditure.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 12 through 14.

SCHOOL FOR THE DEAF & BLIND
SCHEDULE OF BUDGETED REVENUE - ESTIMATED & ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1986

	Service Fees	Sale of Documents & Merchandise	Miscellaneous	Investment Earnings	Reimbursements	Rent, Leases & Royalties	Federal Assistance	Total
FISCAL YEAR 1985-86								
GENERAL FUND								
Estimated Revenue	$18,000	$ 1,200	$ 100					$ 19,300
Actual Revenue	18,615	932	0					19,547
Collections Over (Under) Estimate	$ 615	$ (268)	$(100)					$ 247
SPECIAL REVENUE FUND								
Estimated Revenue		$ 3,000		$110,000	$33,427	$120,000	$229,457	$495,884
Actual Revenue		2,621		123,764[2]	30,828[1]	93,603[2]	201,676	452,492
Collections Over (Under) Estimate		$ (379)		$ 13,764	$(2,599)	$(26,397)	$(27,781)	$(43,392)
FISCAL YEAR 1984-85								
GENERAL FUND								
Estimated Revenue	$16,961	$ 1,500	$ 100					$ 18,561
Actual Revenue	16,961	1,082	2					18,045
Collections Over (Under) Estimate	$ 0	$ (418)	$ (98)					$ (516)
SPECIAL REVENUE FUND								
Estimated Revenue		$11,000				$189,296		$200,296
Actual Revenue		3,134				194,905		198,039
Collections Over (Under) Estimate		$(7,866)				$ 5,609		$ (2,257)

[1]Fiscal year 1985-86 was the first year for which the school negotiated indirect cost recoveries with the federal government. The indirect cost recovery amounts are recorded as reimbursements.

[2]See footnote 5 on page 14.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 12 through 14.

SCHOOL FOR THE DEAF & BLIND
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT AND FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1986

	Administration	General Services	Student Services	Education	Audiology	Total
PERSONAL SERVICES						
Salaries	$ 69,979		$141,747	$ 705,385		$ 917,111
Hourly Wages	43,933	$ 94,298	279,630	216,020		633,881
Other Compensation	50					50
Employee Benefits	23,449	24,137	105,283	212,755		365,624
Total	137,411	118,435	526,660	1,134,160		1,916,666
OPERATING EXPENSES						
Contracted Services	11,504	3,090	9,922	21,428	$671,275	717,219
Supplies & Materials	3,402	26,647	61,342	57,401		148,792
Communications	22,790	832	18	5,663		29,303
Travel	3,512		26,331	19,286	299	49,428
Rent	194	760	1,022	2,107		4,083
Utilities		109,696				109,696
Repair & Maintenance	3,416	9,885	376	7,156		20,833
Other Expenses	2,015		30	3,567		5,612
Total	46,833	150,910	99,041	116,608	671,574	1,084,966
EQUIPMENT AND INTANGIBLE ASSETS						
Equipment		3,509	16,850	30,907		51,265
Total		3,509	16,850	30,907		51,265
TOTAL PROGRAM EXPENDITURES	$184,244	$272,854	$642,551	$1,281,674	$ 671,574	$3,052,897
GENERAL FUND						
Budgeted	$206,236	$285,517	$615,983	$ 927,988	$1,173,368	$3,209,092
Actual	184,244	272,854	612,551	898,248	671,574	2,639,471
Unspent Budget Authority	$ 21,992	$ 12,663	$ 3,432	$ 29,740	$ 501,794[1]	$ 569,621
SPECIAL REVENUE FUND						
Budgeted			$ 30,000	$ 457,974		$ 487,974
Actual			30,000	383,426		413,426
Unspent Budget Authority			$ 0	$ 74,548		$ 74,548

[1]The Unspent Budget Authority in the Audiology program will carry over to fiscal year 1986-87 because the school received a continuing appropriation for this program.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 12 through 14.

SCHOOL FOR THE DEAF AND BLIND
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT AND FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1985

	Administration	General Services	Student Services	Education	Audiology	Total
PERSONAL SERVICES						
Salaries	$ 67,119		$132,663	$ 778,462	$ 5,279	$ 983,523
Hourly Wages	46,421	$ 98,132	295,917	154,620		595,090
Other Compensation	252					252
Employee Benefits	23,262	24,381	105,902	212,928		366,473
Total	$137,054	$122,513	$534,482	$1,146,010	$ 5,279	$1,945,338
OPERATING EXPENSES						
Contracted Services	$ 21,327	$ 6,596	$ 9,725	$ 18,129	$729,354	$ 785,131
Supplies & Materials	3,679	26,858	74,102	49,739	3	154,381
Communications	25,671	273	17	2,137	635	28,733
Travel	3,231	2	38,132	21,686	3,664	66,715
Rent	514	355		2,177		3,046
Utilities		105,460				105,460
Repair & Maintenance	45	9,716	142	3,273	247	13,423
Other Expenses	652	489	15	5,488	56	6,700
Total	$ 55,119	$149,749	$122,133	$ 102,629	$733,959	$1,163,589
EQUIPMENT AND INTANGIBLE ASSETS						
Equipment	$ 4,459	$ 793	$ 309	$ 3,948		$ 9,509
Total	$ 4,459	$ 793	$ 309	$ 3,948		$ 9,509
TOTAL PROGRAM EXPENDITURES	$196,632	$273,055	$656,924	$1,252,587	$739,238	$3,118,436
GENERAL FUND						
Budgeted	$197,451	$290,432	$620,416	$ 812,196	$766,072	$2,686,567
Actual	196,632	273,055	617,518	797,850	739,238	2,624,293
Unspent Budget Authority	$ 819	$ 17,377	$ 2,898	$ 14,346	$ 26,834	$ 62,274
SPECIAL REVENUE FUND						
Budgeted			$ 39,406	$ 461,745		$ 501,151
Actual			39,406	454,737		494,143
Unspent Budget Authority			$ -0-	$ 7,008		$ 7,008

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 12 through 14.

MONTANA SCHOOL FOR THE DEAF AND BLIND
SCHEDULE OF AGENCY FUND - ADDITIONS AND DEDUCTIONS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1986*

PROPERTY HELD IN TRUST BALANCE, July 1, 1984		$12,658
ADDITIONS:		
Receipts Fiscal Year 1984-85	$52,690	
Receipts Fiscal Year 1985-86	43,631	
Total Additions		96,321
DEDUCTIONS:		
Disbursements Fiscal Year 1984-85	51,498	
Disbursements Fiscal Year 1985-86	46,902	
Total Deductions		98,400
PROPERTY HELD IN TRUST BALANCE, June 30, 1986		$10,579

*The school accounts for resident account activity in the Agency Fund on a subsidiary system and periodic adjustments are made to the Statewide Budgeting and Accounting System. The schedule presented was prepared from the school's subsidiary system and not all of the information presented ties to the primary accounting records (SBAS). Additional information is provided in the notes to the financial schedules on pages 12 through 14.

MONTANA SCHOOL FOR THE DEAF AND BLIND

NOTES TO THE FINANCIAL SCHEDULES

FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1986

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The state of Montana uses the modified accrual basis of accounting which is described in the Montana Operations Manual.

Under the modified accrual basis of accounting, revenue is recognized when measurable and available and expenditures are recorded for valid obligations. A valid obligation exists when the related liability is incurred except for the following items which are also considered valid obligations under state accounting policy.

--If an appropriation provided funds to complete a given project, the entire amount of an existing service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.

--The anticipated cost of equipment is expensed in the fiscal year in which budgeted. A purchase order, creating a valid obligation to purchase equipment, must be issued in the fiscal year in which budgeted if the anticipated expenditure is to be accrued in the subject fiscal year.

--Goods ordered, but not received as of the fiscal year-end may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

B. Basis of Presentation

The financial schedules were prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustments except for the Schedule of Agency Fund - Additions and Deductions which was prepared from the school's subsidiary accounting system. Accounts are organized on the basis of funds according to state law. The following fund types are used by the school:

General - accounts for all financial resources except those required to be accounted for in another fund. Legislative appropriations are required to spend from this fund.

Special Revenue - accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Legislative appropriations are required to spend from this fund. Activities in this fund include federal funds received by the department plus funds from the Department of State Lands Interest and Income Account.

Trust and Agency Fund - accounts for assets held in trust or as an agent by the school for others. The major item accounted for in these funds by the school are student accounts.

2. ANNUAL AND SICK LEAVE

Teachers at the school accumulate sick leave while all other employees at the school accumulate both annual and sick leave. Employees are paid for 100 percent of unused annual leave and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in the presented financial schedules of the Montana School for the Deaf and Blind. Expenditures for termination pay currently are absorbed in the annual operational costs of the school. At June 30, 1986, the school had a liability of $29,049 for annual leave and $74,438 for sick leave.

3. PENSION PLAN

Employees are covered by the Montana Public Employees' Retirement System (PERS) or Teacher's Retirement System (TRS). An actuary determined PERS and TRS were funded on an actuarially sound basis at July 1, 1986 and July 1, 1985, respectively. The school's contributions to these plans are shown below:

	Fiscal Year 1984-85	Fiscal Year 1985-86
PERS	$ 64,869	$ 64,623
TRS	39,759	39,609
Total	$104,628	$104,232

4. GENERAL FUND BALANCE

The General Fund is a Statewide Fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the Statewide General Fund as long as they stay within their appropriation limits. Thus, on an agency schedule, the beginning and ending fund balance will always be zero for the General Fund.

5. RECORDING OF REVENUE

The school's system for recording revenues was changed. In fiscal year 1984-85 revenues were recorded at the Department of State Lands for Interest and Income earned on school trust lands and then the moneys were transferred to the school as a nonbudgeted item. In fiscal year 1985-86 these moneys were recorded on the school's financial records as Budgeted Revenue.

AGENCY RESPONSE

SCHOOL FOR THE DEAF AND THE BLIND

STATE OF MONTANA

3911 CENTRAL AVENUE GREAT FALLS, MONTANA 59401 (406) 453-1401

TED SCHWINDEN GOVERNOR

February 12, 1987

Mr. Scott A. Seacat,
Legislative Auditor
Office of the Legislative Auditor
State Capitol Building, Room 135
Helena, Montana 59620

Dear Mr. Seacat:

This letter is in response to your audit report on the Montana School for the Deaf and the Blind for the two year period ending June 30, 1986. The four (4) recommendations contained in the audit are addressed below.

Recommendation #1 (Page 2): We recommend the school record the receipt and expenditure of all donations on its accounting records.

Response Concur. The school will record the receipt and expenditure of donations made out to the school.

Recommendation #2 (Page 3): We recommend the school:

A. Comply with state accounting policy for recording expenditure accruals.

B. Process accounting entries during fiscal year 1986 - 1987 to correct the overstated expenditures.

Response: Concur. The school will submit accounting entries prior to fiscal year-end 1987 to correct the overstated expenditure.

Recommendation #3 (Page 4): We recommend the school use actual costs when calculating indirect cost reimbursements.

Response: Concur.

AN EQUAL OPPORTUNITY EMPLOYER

Recommendation #4 (Page 4): We recommend the school implement procedures to ensure claims are paid only once.

Response: Concur. The school requires purchase orders on all purchases. Paid and unpaid vendor files are being maintained.

Thank you and your staff for the helpful recommendations contained in the audit report. If you have any questions, please call me at 453-1401.

Sincerely,

BILL SYKES, BUSINESS MANAGER

cc: Ted Hazelbaker
Claudette Morton
Tom Thompson